

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton; and  
Tony Hammond

Competitive Product Prices  
Priority Mail Contract 113 (MC2015-33)  
Negotiated Service Agreement

Docket No. CP2015-43

ORDER APPROVING AMENDMENT TO  
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued February 22, 2016)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

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<sup>1</sup> Notice of United States Postal Service of Amendment to Priority Mail Contract 113, with Portions Filed Under Seal, February 10, 2016 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 2371, the Commission approved the Priority Mail Contract 113 negotiated service agreement (Existing Agreement).<sup>2</sup> On February 10, 2016, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On February 11, 2016, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for the Amendment to become effective 1 business day after the date that the Commission completes its review of the Notice. Amendment at 1. The Postal Service asserts that the Amendment will not “materially affect the cost coverage of Priority Mail Contract 113.” Notice at 1. The Postal Service incorporates by reference the Application for Non-Public Treatment originally filed in this docket for the protection of information that it has filed under seal. *Id.*

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative reviewed the Amendment and the Existing Agreement. PR Comments at 2. Based on that review, he concludes that the Amendment is not likely to have a material effect on cost coverage of Priority Mail Contract 113. *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

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<sup>2</sup> See Docket Nos. MC2015-33 and CP2015-43, Order Adding Priority Mail Contract 113 to the Competitive Product List, February 27, 2015 (Order No. 2371).

<sup>3</sup> Order No. 3068, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, February 11, 2016.

<sup>4</sup> Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 113, February 17, 2016 (PR Comments).

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment adds to the Existing Agreement an alternative provision for the adjustment of prices in subsequent contract years. Amendment at 1.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

*Other considerations.* The Postal Service states that the Amendment shall become effective 1 day after the date that the Commission completes its review. Notice at 1. The Existing Agreement, as amended, is set to expire 3 years after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.<sup>5</sup>

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

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<sup>5</sup> Docket Nos. MC2015-33 and CP2015-43, Request of the United States Postal Service to Add Priority Mail Contract 113 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, February 18, 2015, Attachment B at 3.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Priority Mail Contract 113 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary